# OFFICIAL NEW APPLICATION JOHNSON UTILITIES L.L



5230 East Shea Boulevard \* Scottsdale, Arizona 85257 PH: (480) 998-3300; FAX: (480) 483-7908

October 13, 2006

Docket Control Arizona Corporation Commission 1200 W. Washington St. Phoenix. AZ 85007

WS-02987A-06-0663

Attached is an application by Johnson Utilities Company, L.L.C. for an Extension of its Certificate of Convenience and Necessity. The purpose of this application is to expand our existing service area to include the development known as Skyview Farms. This application has been made at the request of the developer and the Town of Florence. Kent Pace represents the land owner and developer in the proposed expansion area. The Town of Florence is in the process of preparing a letter requesting that Johnson Utilities provide water and sewer service to this portion of the Town. The letter of support from the Town will be docketed as part of this application when available. The request for service letter from Kent Pace of Skyview Farms is attached hereto as Attachment 10. Thank you for your time and consideration on this matter.

Daniel Hodges

Arizona Corporation Commission DOCKETED

OCT 162006

DOCKETED BY

W

AZ CORP COMMISSION DOCUMENT CONTROL

#### ARIZONA CORPORATION COMMISSION

## APPLICATION FOR AN EXTENSION OF CERTIFICATE OF CONVENIENCE AND NECESSITY

#### WATER AND/OR SEWER

A. The name, address and telephone number of the Applicant is:

Johnson Utilities, L.L.C. 5230 E. Shea Blvd., Suite 200 Scottsdale, AZ. 85254 480-998-3300

B. The name, address, and telephone number of management contact is:

Brian P. Tompsett Johnson Utilities, L.L.C. 5230 E. Shea Blvd., Suite 200 Scottsdale, AZ. 85254 480-998-3300

C. List the name, address and <u>telephone number</u> of the operator certified by the Arizona Department of Environmental Quality.

Gregory Brown Specific Engineering, L.L.C. 5230 E Shea Blvd. Suite 220 Scottsdale, AZ 85254 480-987-9870

D. List the name, address and telephone number of the attorney for the Applicant:

Richard L. Sallquist Sallquist, Drummond & O'Connor, P.C. 4500 South LakeShore Dr., Suite 339 Tempe, AZ. 85282 480-839-5202

- E. Attach the following documents that apply to you:
  - 1. Certificate of Good Standing (if corporation)

See Attachment 1

2. Corporate Resolution Authorizing this application (if required by the corporation's Articles of Incorporation)

Not Applicable

F. Attach a legal description of the area requested by either CADASTRAL (quarter section description) or Metes and Bounds survey. References to parcels and dockets will not be accepted.

See Attachment 2

G. Attach a detailed map using the form provided as attachment B. Shade and outline the area requested. Also indicate the present certificated area by using different colors.

See Attachment 3

H. Attach a current balance sheet and profit and loss statement

See Attachment 4

- I. Provide the following information:
  - 1. Indicated the estimated number of customers, by class, to be served in the new area in each of the next five years:

See Attachment 5

2. (WATER ONLY) Indicate the projected annual water consumption, in gallons, for each of the customer classes in the new area for each of the next five years.

See Attachment 5

3. Indicate the total estimated annual operating revenue from the new area for each of the next five years.

See Attachment 6

• Complete Attachment "D" (Water Use Data Sheet) for the past 13 months.

See Attachment 7

4. Indicate the total estimated annual operating expenses attributable to the new area for each of the next five years.

See Attachment 6

J. Total estimated cost to construct utility facilities to serve customers in the requested area:

The estimated cost to serve the customers in the requested area is \$16,962,716.00 for water and \$18,964,300 for sewer.

K. Explain method of financing utility facilities (see paragraph 8 of instructions)

The construction of the additional utility facilities needed to serve the area covered by this Application will be financed primarily by advances in aid of construction and hook-up fees in accordance with Commission regulations and Johnson Utilities applicable tariffs, as well as pursuant to the terms of any main extension agreements between Johnson Utilities, and property owners. A copy of all fully executed main extension agreements for water facilities between parties shall be filed with the Commission in support of this Application when completed.

L. Estimated starting and completion date of construction of utility facilities:

Start date: January, 2008 Completion date: December, 2015

M. Attach the following permits:

1. Franchise from either the City or County for the area requested.

See Attachment 8

2. Arizona Department of Environmental Quality or designee's approval to construct facilities

Arizona Department of Environmental Quality's Approval to Construct the facilities to serve the requested extension area will be provided to the Commission as soon as they are received by Johnson Utilities.

3. Arizona State Land Department approval. (If you are including any State land in your requested area this approval is needed.)

Not Applicable

4. U.S. Forest Service approval-

Not Applicable

5. (WATER ONLY) If the area requested is within an Active Management Area, attach a copy of the utility's Designation of an Assured Water Supply, or the developer's Certificate of 100 year Assured Water Supply issued by the Arizona Department of Water Resources.

Attachment 9

• If the area requested is outside an Active Management Area, attach the developer's Adequacy Statement issued by the Arizona Department of Water Resources if applied for by the developer.

Not Applicable

• If the area requested is outside an Active Management Area and the developer does not obtain an Adequacy Statement, provide sufficient detailed information to prove that adequate water exists to provide water to the area requested.

Not Applicable

(Signature of Authorized Representative)

Brian P. Tompsett

(Print of Type Name Here)

**Executive Vice President** 

(Title)

SUBSCRIBED AND SWORN to before me this 16 day of 6to be , 2006

NOTARY PUBLIC

My Commission Expires 12-23-2008

CINDY L. GIBSON Notary Public - Arizona MARICOPA COUNTY My Comm. Exp. 12-23-2003



# STATE OF ARIZONA



## Office of the CORPORATION COMMISSION

#### CERTIFICATE OF GOOD STANDING

To all to whom these presents shall come, greeting:

I, Brian C. McNeil, Executive Secretary of the Arizona Corporation Commission, do hereby certify that

\*\*\*JOHNSON UTILITIES, L.L.C. \*\*\*

a domestic limited liability company organized under the laws of the State of Arizona, did organize on the 5th day of June 1997.

I further certify that according to the records of the Arizona Corporation Commission, as of the date set forth hereunder, the said limited liability company is not administratively dissolved for failure to comply with the provisions of A.R.S. section 29-601 et seq., the Arizona Limited Liability Company Act; and that the said limited liability company has not filed Articles of Termination as of the date of this certificate.

This certificate relates only to the legal existence of the above named entity as of the date issued. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's condition or business activities and practices.



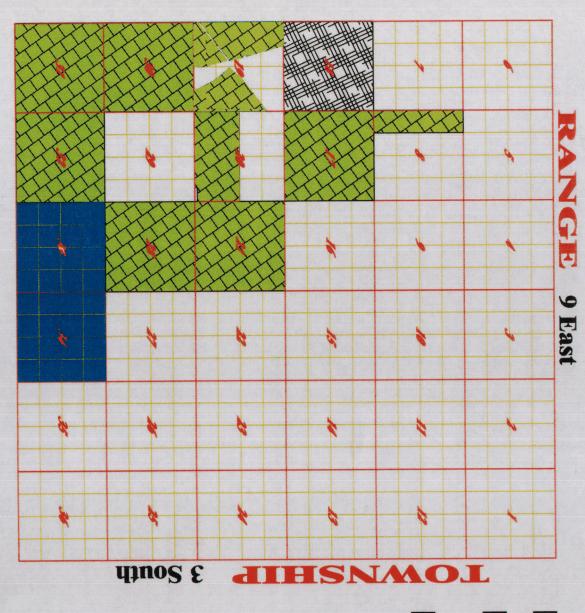
IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Arizona Corporation Commission. Done at Phoenix, the Capital, this 1st Day of December, 2004, A. D.

Executive Secretary

By la Orine Africkes

#### **Legal Description**

ALL OF SECTIONS 33 AND 34, TOWNSHIP 3 SOUTH, RANGE 9 EAST; AND ALL OF SECTION 3, TOWNSHIP 4 SOUTH, RANGE 9 EAST OF THE GILA AND SALT RIVER BASE AND MERIDIAN, PINAL COUNTY, ARIZONA.



Johnson Utilities Company

WS-2987 (6)

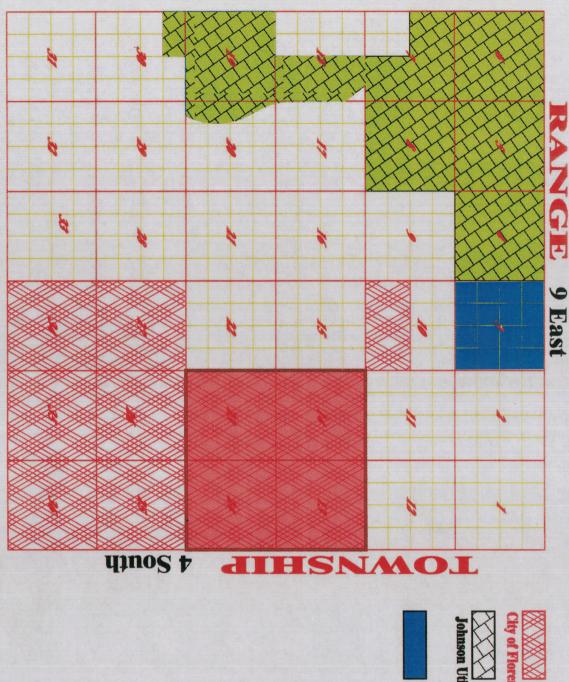
Sewer

W-2859 (3)

Diversified Water Utilities, Inc.

CC&N Requested

# COUNTY Pinal



City of Florence (Nonjurisdictional)

WS-2987 (6)

Sewer

Johnson Utilities Company

CC&N Requested

TRASSE 22 APR 2003



To The Members of Johnson Utilities, L.L.C. Scottsdale, Arizona

We have compiled the accompanying balance sheet of Johnson Utilities, L.L.C. as of December 31, 2005 and the related statement of income for the year then ended, in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures and statement of cash flows were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The Company is treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable by, or provided for, the Company. Members are taxed individually on their shares of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the operating agreement of the Company.

This report is intended solely for the information and use of the owners, management, and others within the company and is not intended to be and should not be used by anyone other than these specified parties.

Ullmann & Company, P.C.

Certified Public Accountants

March 24, 2006

#### Johnson Utilities, L.L.C. Balance Sheet December 31, 2005

#### **ASSETS**

Utility Plant	
Plant in Service	\$ 77,405,052
Less: Accumulated Depreciation	(4,491,559)
Net Utility Plant in Service	\$ 72,913,493
	9,616,560
Construction Work in Progress	\$ 82,530,053
Net Utility Plant	Ψ 02,000,000
Current Assets	
Cash	\$ 18,382,586
Accounts Receivable	1,660,226
Other Receivables	38,000
Total Current Assets	\$ 20,080,812
Other Assets	
Deferred Legal Fees	\$ 672,263
Deferred Engineering Fees	242,235
Prepaid Liability Insurance	31,075
SRP Deposit	65,120
Total Other Assets	\$ 1,010,693
	4 400 004 550
<u>Total Assets</u>	\$ <u>103,621,558</u>
MEMBER'S CAPITAL & LIABILITIES	
Member's Capital	\$ 7,260,129
monibor o oupital	·
O 4 15 45 A 54 A 54 A 54 O a waterwater	A 40 000 000
Contributions in Aid of Construction	\$ 48,092,863
Long-Term Debt	\$ 48,092,863
Long-Term Debt	
Long-Term Debt  Current Liabilities	\$ 772,000
Long-Term Debt  Current Liabilities  Accounts Payable	\$ 772,000 \$ 2,433,137
Long-Term Debt  Current Liabilities  Accounts Payable  Current Portion of Advances in Aid of Construction	\$ 772,000 \$ 2,433,137 326,000
Long-Term Debt  Current Liabilities  Accounts Payable Current Portion of Advances in Aid of Construction Due to Member	\$ 772,000 \$ 2,433,137 326,000 5,132,494
Long-Term Debt  Current Liabilities  Accounts Payable Current Portion of Advances in Aid of Construction Due to Member Customer Deposits	\$ 772,000 \$ 2,433,137 326,000 5,132,494 296,564
Current Liabilities  Accounts Payable Current Portion of Advances in Aid of Construction Due to Member Customer Deposits Accrued Taxes	\$ 772,000 \$ 2,433,137 326,000 5,132,494
Current Liabilities  Accounts Payable Current Portion of Advances in Aid of Construction Due to Member Customer Deposits Accrued Taxes Accrued Interest	\$ 772,000 \$ 2,433,137 326,000 5,132,494 296,564 528,581
Current Liabilities  Accounts Payable Current Portion of Advances in Aid of Construction Due to Member Customer Deposits Accrued Taxes	\$ 772,000 \$ 2,433,137 326,000 5,132,494 296,564 528,581 30
Current Liabilities  Accounts Payable Current Portion of Advances in Aid of Construction Due to Member Customer Deposits Accrued Taxes Accrued Interest Total Current Liabilities  Deferred Liabilities	\$ 772,000 \$ 2,433,137 326,000 5,132,494 296,564 528,581 30 \$ 8,716,806
Current Liabilities  Accounts Payable Current Portion of Advances in Aid of Construction Due to Member Customer Deposits Accrued Taxes Accrued Interest Total Current Liabilities	\$ 772,000 \$ 2,433,137 326,000 5,132,494 296,564 528,581 30

See Accountants' Compilation Report

#### Johnson Utilities, L.L.C. Statement of Income December 31, 2005

Operating Revenue	
Water Sales	\$ 7,193,403
Sewer Fees	5,379,633
Other Revenue	771,444
<u>Total Revenue</u>	\$ 13,344,480
Operating Expenses	
Purchased Water	\$ 915,377
Purchased Power	624,190
Repairs & Maintenance	255,715
Outside Services	6,278,875
Water Testing	84,945
Rents	13,107
Insurance	62,856
Sludge Removal	68,242
Wastewater Treatment	34,592
Miscellaneous Operating Expense	208,874
Depreciation and Amortization	396,098
Taxes Other Than Income	14,220
Property Taxes	242,910
Total Operating Expenses	\$ 9,200,001
Net Operating Income	\$ <u>4,144,479</u>
Other Income (Expenses)	
Interest Income	\$ 433,931
Non-Utility Income	1,575
Interest Expense	(66,741)
Total Other Income (Expenses)	\$ 368,765
Net Income	\$ <u>4,513,244</u>

The estimated numbers or customers to be served in each of the first five years of water utility service to the area covered by this Application are as follows:

#### Residential:

Skyview Farms		<u>Total</u>
Year 2008	150	150
Year 2009	450	450
Year 2010	800	800
Year 2011	1200	1200
Year 2012	1600	1600

The projected annual water consumption, in gallons, for each of the customer classes in the new area for each of the next five years:

#### Residential Water Usage:

in Gallons	
1st Year	7,087,275
2nd Year	28,349,100
3rd Year	59,060,625
4th Year	94,497,000
5th Year	132,295,800

Applicant's estimated annual operating revenue and operating expenses for each of the first five years of operation in the new area covered by this Application are as follows:

#### Water

Operating Revenue		Operating Expenses	
1st Year	\$40,500	1st Year	\$32,400
2nd Year	\$162,000	2nd Year	\$129,600
3rd Year	\$337,500	3rd Year	\$270,000
4th Year	\$540,000	4th Year	\$432,000
5th Year	\$756,000	5th Year	\$604,800

#### **Wastewater**

Operating Revenue		Operating Expenses	
1st Year	\$34,650	1st Year	\$27,720
2nd Year	\$138,600	2nd Year	\$110,880
3rd Year	\$288,750	3rd Year	\$231,000
4th Year	\$462,000	4th Year	\$369,600
5th Year	\$646,800	5th Year	\$517,440

NAME OF COMPANY	
	JOHNSON UTILITIES, L.L.C.
ADEQ Public Water System No.	
,	11-128

MONTH/YEAR (Last 13 Months)	NUMBER OF CUSTOMERS	GALLONS SOI	_D (Thousands)
September, 2005	12,533	107,199	
October, 2005	13,233	117	7,105
November, 2005	13,688	89,	,905
December, 2005	13,754	78.	,490
January, 2006	14,278	87,	,900
February, 2006	14,343	76,	844
March, 2006	14,416	77,	,389
April, 2006	14,600	95	,253
May, 2006	14,766	124	,842
June, 2006	15,098	158	3,856
July, 2006	15,310	157	7,865
August, 2006	15,679	164	,734
September, 2006	15,844	128	3,798
STORAGE TANK	NUMBER OF	ARIZONA DEPT. OF WATER	WELL PRODUCTION
CAPACITY	EACH	RESOURCES WELL I.D.	(Gallons per Minute)
GALLONS)		NUMBER	
1,000,000	1	55-558445	500
500,000	3	55-559843	500
100,000	1	55-586189	35
50,000	3	55-582085	110
		55-582087	110
		55-582088	110
		55-621462	1000
		55-599026	1000
		55-201429	1100
		55-598836	700
		55-209384	1000
		55-570372	360
		55-594071	360
		55-571198	360
Other Water Sources	in Gallons Per I	) Minute	None
Fire Hydrants on Syst	tem		YES
		(Gallons in Thousands)	1,581,939



## OFFICIAL RECORDS OF PINAL COUNTY RECORDER

KATHLEEN C. FELIX

DATE: 12/08/98

TIME: 1636

FEE:

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AGES:

NO: 1998-Ø5Ø223

### Expansion and Amendment Of The Johnson Utility Water and Sewer Franchise

WHEREAS, Johnson Utilities L.L.C. had received a water and sewer franchise from Pinal County to establish and maintain water and sewer services on Johnson Utilities L.L.C., see document number 1995-033065 in the Office of the Pinal County Recorder (hereinafter "Original Franchise").

WHEREAS, Johnson Utilities L.L.C., a(n) Arizona corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for expansion of the Original Franchise for the purpose of constructing, operating and maintaining water and sewer lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "A" attached hereto (hereinafter "Expansion").

WHEREAS, upon filing of Johnson Utilities L.L.C.'s application for the Expansion, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Expansion to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Expansion was set for 10: 00 A.M. on November 4, 1998, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said application for the Expansion and Amendment having come on regularly for hearing at 11:30 A.M. on November 4, 1998; and it appearing from the affidavit of the publisher of the Casa Grande Valley Newspaper that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder and Blade-Tribune published on October 15, 1998, October 22, 1998, and October 29, 1998; and the matter being called for hearing at 11:30 A.M., and an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to amend an existing franchise under its general police powers in such matters.

Second Amended Johnson Utility Water and Sewer Franchise

#### NOW, THEREFORE,

#### Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Original Franchise shall have the following meanings:

A. County: Pinal County, Arizona

B. Board: Board of Supervisors of Pinal County, Arizona.

C. Grantor: Pinal County, by and through its Board of Supervisors

D. Grantee: Johnson Utilities L.L.C., a(n) Arizona corporation, its successors and assigns

E. Grantee's Facilities: water and sewer lines and related appurtenances

#### Section 2: GRANT

Grantor, on November 4, 1998, hereby grants to Grantee, for a period of time not to exceed the Original Franchise, this expanded and amended franchise (hereinafter "Second Amended Franchise") for the purpose of constructing, operating and maintaining water and sewer lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Expansion and the Original Franchise (hereinafter "Franchise Area").

#### Section 3: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE

The Second Amended Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Second Amended Franchise is accepted by County. This Second Amended Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

#### Section 4: LIMITS ON GRANTEE'S RECOURSE

A. Grantee by its acceptance of the Second Amended Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Second Amended Franchise accepts the validity of the terms and conditions of the Second Amended Franchise in their entirety and agrees it

Second Amended
Johnson Utility Water and Sewer Franchise

will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the Second Amended Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.

- B. Grantee by accepting the Second Amended Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Second Amended Franchise not expressed therein. Grantee by its acceptance of the Second Amended Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Second Amended Franchise.
- C. Grantee by its acceptance of the Second Amended Franchise further acknowledges that it has carefully read the terms and conditions of the Second Amended Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.
- D. In case of conflict or ambiguity between the Second Amended Franchise and the Original Franchise, the provision which provides the greatest benefit to County, as determined solely by County, shall prevail.
- E. The Board's decision concerning its selection and awarding of the Second Amended Franchise shall be final.

#### Section 5: SEVERABILITY

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Second Amended Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Second Amended Franchise, all of which will remain in full force and effect for the term of the Second Amended Franchise or any renewal or renewals thereof.

#### Section 6: NOTICE

Notices required under the Second Amended Franchise shall be delivered or sent by certified mail, postage prepaid to:

#### Grantor:

Clerk of the Pinal County Board of Supervisors P.O. Box 827 31 N. Pinal Florence, Arizona 85232

#### Grantee:

Johnson Utilities L.L.C. 5320 E. Shea Blvd. Scottsdale, Arizona 85254

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on November 4, 1998.

PINAL COUNTY BOARD OF SUPERVISORS

Sandie Smith, Chairman / 4-9<

ATTEST

Stanley D. Griffis, Ph.D., Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON PINAL COUNTY ATTORNEY

Eric L. Walberg, Deputy County Attorney

## JOHNSON UTILITIES FRANCHISE EXTENSION APPLICATION

All areas within the following described Sections not previously franchised to the Applicant:

Sections 35 and 36, all in Township 3 South Range 7 East

- Sections 13 through 36, all in Township 3 South Range 8 East
- Sections 16 through 21 and 28 through 33, all in Township 3 South Range 9 East
  Sections 1 through 4, 10 through 14 and 23 through 26, all in Township 4 South
  Range 8 East

Sections 4 through 9, all in Township 4 South Range 9 East

#### Exhibit B

#### SAMPLE ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Johnson Utilities L.L.C., a(n) Arizona corporation, does hereby accept the \_\_\_\_\_\_ grant of an Second Amended Franchise from Pinal County, Arizona, to construct, operate, and maintainwater and sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, a copy of which is attached to the Second Amended Franchise, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Second Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Second Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Second Amended Franchise recited to have been or to be made by Grantee.

attycivl\franchise\19981799 E&A Franchise Final



KATHLEEN C. FELIX

DATE: 12/Ø8/98

TIME: 1636

FEE :

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PAGES:

FEE NO: 1998-Ø5Ø224

nail to:

ard of Supervisors

1a 85232

(The above space reserved for recording information)

#### **CAPTION HEADING**

Acceptance of Expanded and Amended Franchise

#### ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Johnson Utilities L.L.C., a(n) Arizona corporation, does hereby accept the November 4, 1998 grant of an Second Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain water and sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, a copy of which is attached to the Second Amended Franchise, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Second Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Second Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Second

Amended Franchise recited to have been or to be made by Grantee.

Dated this day of Nobbush, 1998.

Johnson Utilities I. L. C.

By:

Title:

STATE OF ARIZONA

) ss.

County of

The foregoing instrument was acknowledged before me this day

of Nobbush, 1998, by Sleves H. Johnson, Manager

of Johnson Utilities I. L. C.

By:

Title:

Light Grantee.

By:

Title:

Light Grantee.

By:

Title:

Light Grantee.

By:

Light Grantee.

By

CHRISTINE M. DERMODY Notary Public - State of Arizona MARICOPA COUNTY My Comm. Expires June 9, 2002

9th Amend



#### OFFICIAL RECORDS OF PINAL COUNTY RECORDER LAURA DEAN-LYTLE

When recorded mail to:

Clerk of the Board Office P.O. Box 827 Florence, Arizona 85232

DATE/TIME: 04/03/06 1534

PAGES:

FEE NUMBER:

2006-047531

(The above space reserved for recording information) **CAPTION HEADING** 

Johnson Utilities L.L.C. - expansion of it's water and sewer utility franchise. Last Recorded Fee Number: 2001-028018.

#### Expansion and Amendment Of The Johnson Utility Water and Sewer Franchise

WHEREAS, Johnson Utilities L.L.C. had received a water and sewer franchise from Pinal County to establish and maintain water and sewer services on October 12, 1995 (1995-033065), amended on July 9, 1997 (1997-030624), May 20, 1998 (1998-031193), November 4, 1998 (1998-050223), November 17, 1999 (1999-053478), August 2, 2000 (2000-032663), December 13, 2000 (2001-002045), May 30, 2001 (2001-024621), June 20, 2001 (2001-028018) (hereinafter "Existing Franchise").

WHEREAS, Johnson Utilities L.L.C., an Arizona limited liability corporation, duly authorized to conduct business in the State of Arizona, has duly filed and presented to the Board of Supervisors of the County of Pinal, State of Arizona, its application for expansion of the Existing Franchise for the purpose of constructing, operating and maintaining water and sewer lines and related appurtenances along, under and across the public streets, alleys and highways, except federal and state highways, within the unincorporated area of Pinal County, Arizona, as described in Exhibit "A" attached hereto (hereinafter "Expansion").

WHEREAS, upon filing of Johnson Utilities L.L.C.'s application for the Expansion, a copy of which is attached hereto as Exhibit "C" without its exhibits, the Board of Supervisors of Pinal County ordered a public notice of its intent to consider the granting of the Expansion to be published in a newspaper of general circulation, in Pinal County, Arizona, stating the time and place for consideration of the Expansion was set for 9:30 A.M. on March 15, 2006, at the Pinal County Board of Supervisors' Hearing Room, Administration Building No. 1, Florence, Arizona.

WHEREAS, said application for the Expansion and Amendment having come on regularly for hearing at 9:30 A.M. on March 15, 2006; and it appearing from the affidavit of the publisher of the Florence Reminder & Blade Tribune that due and regular notice of said time and place set for the consideration of such action has been published for at least once a week for three consecutive weeks prior to said hearing date, to-wit: in the issues of the Florence Reminder and Blade-Tribune published on February 16, 2006, February 23, 2006 and March 2, 2006; and the matter being called for hearing at 9:30 A.M., and an opportunity having been given to all interested parties to be heard.

WHEREAS, the Board of Supervisors of Pinal County has the power to amend an existing franchise under its general police powers in such matters.

#### NOW, THEREFORE,

#### Section 1: DEFINITIONS

The following terms used in this expansion and amendment of the Existing Franchise shall have the following meanings:

A. County: Pinal County, Arizona

B. Board: Board of Supervisors of Pinal County, Arizona.

C. Grantor: Pinal County, by and through its Board of Supervisors

D. Grantee: Johnson Utilities L.L.C., an Arizona limited liability corporation, its

successors and assigns

E. Grantee's Facilities: water and sewer lines and related appurtenances

#### Section 2: GRANT

Grantor, on March 15, 2006, hereby grants to Grantee, for a period of time not to exceed the Existing Franchise, this expanded and amended franchise (hereinafter "Ninth Amended Franchise") for the purpose of constructing, operating and maintaining water and sewer lines and related appurtenances along, under and across public streets, alleys and highways, except federal and state highways, under the terms and conditions set forth herein within the unincorporated area of Pinal County, Arizona, as described in the Expansion and the Existing Franchise (hereinafter "Franchise Area").

#### Section 3: ACCEPTANCE BY GRANTEE / EFFECTIVE DATE FRANCHISE

The Ninth Amended Franchise shall be accepted by Grantee by written instrument in the form attached hereto as Exhibit "B" (hereinafter "Acceptance"), executed and acknowledged by it as a deed is required to be, and filed with the Clerk of the Pinal County Board of Supervisors within thirty days after the date this Sixth Amended Franchise is accepted by County. This Ninth Amended Franchise shall be effective upon delivery of the Acceptance to the Clerk of the Pinal County Board of Supervisors in the form required and within the time specified above.

#### Section 4: LIMITS ON GRANTEE'S RECOURSE

- A. Grantee by its acceptance of the Ninth Amended Franchise acknowledges such acceptance relies upon grantee's own investigation and understanding of the power and authority of the County to grant said franchise. Grantee by its acceptance of the Ninth Amended Franchise accepts the validity of the terms and conditions of the Ninth Amended Franchise in their entirety and agrees it will not, at any time, proceed against County in any claim or proceeding challenging any term or provision of the Ninth Amended Franchise as unreasonable, arbitrary or void, or that County did not have the authority to impose such term or condition.
- B. Grantee by accepting the Ninth Amended Franchise acknowledges that it has not been induced to accept the same by any promise, verbal or written, by or on behalf of County or by any third person regarding any term or condition of the Ninth Amended Franchise not expressed therein. Grantee by its acceptance of the Ninth Amended Franchise further pledges that no promise or inducement, oral or written, has been made to any employee or official of County regarding receipt of the Ninth Amended Franchise.
- C. Grantee by its acceptance of the Ninth Amended Franchise further acknowledges that it has carefully read the terms and conditions of the Ninth Amended Franchise and accepts without reservation the obligations imposed by the terms and conditions herein.
- D. In case of conflict or ambiguity between the Ninth Amended Franchise and the Existing Franchise, the provision which provides the greatest benefit to County, as determined solely by County, shall prevail.
- E. The Board's decision concerning its selection and awarding of the Ninth Amended Franchise shall be final.

#### Section 5: SEVERABILITY

If any section, provision, term or covenant or any portion of any section, provision, term or covenant of the Ninth Amended Franchise is determined to be illegal, invalid or unconstitutional, by any court of competent jurisdiction or by any state or federal regulatory agency having jurisdiction thereof, such determination shall have no effect on any remaining portion of such section, provision, term or covenant or the remaining sections, provisions, terms or covenants of the Ninth Amended Franchise, all of which will remain in full force and effect for the term of the Ninth Amended Franchise or any renewal or renewals thereof.

#### Section 6: NOTICE

Notices required under the Ninth Amended Franchise shall be delivered or sent by certified mail, postage prepaid to:

#### Grantor:

Clerk of the Pinal County Board of Supervisors P.O. Box 827 31 N. Pinal Florence, Arizona 85232

Grantee:

Johnson Utilities, L.L.C. 5320 E. Shea Blvd. Scottsdale, Arizona 85254

The delivery or mailing of such notice shall be equivalent to direct personal notice and shall be deemed to have been given at the time of delivery. Either party may change its address under this section by written notice to the other party.

IN WITNESS WHEREOF, the Board of Supervisors of Pinal County, Arizona, by its Chairman and its Clerk, thereunto duly authorized, has hereunto set its hand and cause its official seal to be affixed on March 15, 2006

on March 15, 2006.

PINAL COUNTY BOARD OF SUPERVISORS

Sandy Smith, Chairman

SANDIE

ATTEST:

Sheri Cluff, Deputy Clerk of the Board

APPROVED AS TO FORM:

ROBERT CARTER OLSON PINAL COUNTY ATTORNEY

Rick V. Husk

Deputy County Attorney

Ninth Amended Johnson Utility Water and Sewer Franchise

#### Exhibit A

#### LEGAL DESCRIPTION OF REQUESTED FRANCHISE AREA

All of Sections 3, 4, 10, 15, 22, 23, 26, 27, 34 and 35, Township 3 South, Range 9 East, G&SRB&M, Pinal County, Arizona.

All of Sections 2, 3, 10, and 11, Township 4 South, Range 9 East, G&SRB&M, Pinal County, Arizona.

#### Exhibit B

#### ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Johnson Utilities L.L.C., an Arizona limited liability corporation, does hereby accept the March 15, 2006 grant of a Ninth Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain water and sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, a copy of which is attached to the Ninth Amended Franchise, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Ninth Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Ninth Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Ninth Amended Franchise recited to have been or to be made by Grantee.

Dated thisday	y of, 200	06.
		Johnson Utilities, L.L.C.
		Ву:
	•	Title:
STATE OF ARIZONA	) ) ss.	
County of	<u>´</u>	
2006, by	corporation, and being	dged before me thisday of,of Johnson Utilities, L.L.C., an g authorized to do so, executed the foregoing urposes therein stated.
		Notary Public
My Commission Expires:		



#### OFFICIAL RECORDS OF PINAL COUNTY RECORDER LAURA DEAN-LYTLE

When recorded mail to:

Clerk of the Board Office P.O. Box 827 Florence, Arizona 85232

DATE/TIME: 04/03/06 1534 FEE:

PAGES:

FEE NUMBER: 2006-047532

(The above space reserved for recording information) **CAPTION HEADING** 

Acceptance by Johnson Utilities L.L.C. of their expanded water and sewer utility franchise.

#### Exhibit B

#### ACCEPTANCE OF EXPANDED AND AMENDED FRANCHISE

To: Board of Supervisors Pinal County, Arizona

Grantee, Johnson Utilities L.L.C., an Arizona limited liability corporation, does hereby accept the March 15, 2006 grant of a Ninth Amended Franchise from Pinal County, Arizona, to construct, operate, and maintain water and sewer lines and related fixtures along, under and across present and future public streets, alleys and highways, except state highways, within the unincorporated area of Pinal County, Arizona, as described in the Application, a copy of which is attached to the Ninth Amended Franchise, which is made a part hereof.

Grantee unconditionally accepts the franchise and covenants to faithfully comply with, abide by, to observe and perform all the provisions, terms and conditions of the Ninth Amended Franchise. Grantee accepts such provisions, terms and conditions and expressly waives any and all objections to the reasonableness or legality of any provisions of the same or any part thereof, or as to the legal right or authority of the County of Pinal to impose the same.

Grantee declares that the statements and recitals in said Ninth Amended Franchise are correct, and Grantee declares it has made and does make the agreement, statements and admissions in said Ninth Amended Franchise recited to have been or to be made by Grantee.

Dated this 21st day of MARCH, 2006.
Johnson Utilities, L.L.C.  By:
Title: EXECUTIVE VICE PRESIDENT
STATE OF ARIZONA ) SS.  CINDY L GIBSON Notary Public - Arizona MARICOFA COUNTY My Comm. Exp. 12-23-8008
County of Maricopa)
The foregoing instrument was acknowledged before me this 2) day of Makeh

The foregoing instrument was acknowledged before me this  $\geq 1$  day of  $\frac{1}{100}$ ,  $\frac{1}{100}$ ,  $\frac{1}{100}$ ,  $\frac{1}{100}$ ,  $\frac{1}{100}$  of Johnson Utilities, L.L.C., an Arizona limited liability corporation, and being authorized to do so, executed the foregoing instrument on behalf of the corporation for the purposes therein stated.

Notary Public

My Commission Expires:

12.53-2008

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#### **DEPARTMENT OF WATER RESOURCES** BEFORE THE DIRECTOR

IN THE MATTER OF THE APPLICATION OF JOHNSON UTILITIES FOR A DESIGNATION AS HAVING AN ASSURED WATER SUPPLY

AWS No. 2003-004 **DECISION AND ORDER** No. 26-400665

On December 26, 2001, the Department of Water Resources (Department) received an application from Johnson Utilities, L.L.C. requesting that the Department modify Johnson Utilities' designation of assured water supply pursuant to A.R.S. § 45-576(D) and A.A.C. R12-15-701 et sea, for Johnson Utilities' municipal water delivery system. On January 28, 2003, the Department determined the application to be complete.

After receiving Johnson Utilities' request to modify its designation of assured water supply, and after reviewing relevant information regarding the modification request, including: 1) the hydrologic study of the proposed source of supply on file with the Department, 2) information submitted regarding Johnson Utilities' consistency with the management plan and management goal, 3) information provided by the Arizona Department of Environmental Quality regarding the quality of the proposed source of water, and 4) information regarding Johnson Utilities' financial capability to construct the necessary delivery system, treatment works and storage facilities, the Department finds the following:

- 1. Johnson Utilities is a private water company regulated by the Arizona Corporation Commission.
- 2. Johnson Utilities has the legal authority, as granted by the Arizona Corporation Commission, to deliver water to its customers located within the boundaries of its Certificate of Convenience and Necessity as indicated on maps on file with the Department.
- Johnson Utilities has the right to withdraw and deliver groundwater to its customers 3. pursuant to service area right #56-002346.0000.
- Johnson Utilities currently serves 100 percent groundwater to its customers. 4.
- 5. Johnson Utilities' current and committed demand is 1,232 acre-feet per year, as of 2003.

- Johnson Utilities' groundwater supply proven to be physically available is 52,250 acre-feet per year.
- Johnson Utilities' total groundwater supply which was proven to be physically, continuously and legally available is 18,154 acre-feet per year, which is greater than Johnson Utilities' projected demand for the calendar year 2011 of approximately 5,633 acre-feet per year.
- 8. Historic hydrologic information demonstrates that groundwater levels in the service area currently range from approximately 300 to 700 feet with a minimal regional decline.
- 9. After one hundred years of pumping at 5,633 acre-feet per year, the depth-to-water inside Johnson Utilities' service area is expected to range from 400 to 550 feet below land surface and not expected to exceed 1,000 feet below land surface.
- 10. Johnson Utilities is regulated as a large provider under the Department's Third Management Plan for the Phoenix Active Management Area. Johnson Utilities is in compliance with the Third Management Plan requirements as of the date of this decision and order.
- 11. The groundwater supply that Johnson Utilities intends to provide its customers currently meets all federal and state water quality standards, based on compliance information provided by the Arizona Department of Environmental Quality.
- 12. On June 9, 2000 Johnson Utilities became a member service area of the Central Arizona Groundwater Replenishment District ("CAGRD").
- 13. The June 9, 2000 replenishment agreement between Johnson Utilities and the CAGRD limits the replenishment obligation of the CAGRD to 5,967 acre-feet per year, which is more than Johnson Utilities projected 2011 demand of 5,633 acre-feet per year.
- 14. On February 24, 1995, the Director designated that the CAGRD Plan of Operation was consistent with achieving the management goal of the Phoenix Active Management Area.
- 15. As of the date of this decision and order, the CAGRD is in compliance with its groundwater replenishment obligation for the Phoenix Active Management Area.
- In accordance with Arizona Corporation Commission Rules and Regulations, Johnson
   Utilities finances extension of its distribution system through line extension agreements

with owners of new developments. Any owner of a new subdivision served by Johnson Utilities must prove financial capability to construct the necessary water infrastructure to the appropriate platting entity and the Arizona Department of Real Estate pursuant to Titles 9, 11, and 32 of the Arizona Revised Statutes.

## Having reviewed the Findings of Fact, the Department makes the following Conclusions of Law:

- 1. The annual volume of water was found to be physically, continuously and legally available to Johnson Utilities for a minimum of 100 years as prescribed in A.A.C. R12-15-703, and exceeds Johnson Utilities' projected demand of 5,633 acre-feet for the year 2011.
- The water supply served by Johnson Utilities currently meets the water quality requirements specified in A.A.C. R12-15-704.
- 3. Pursuant to A.R.S. § 45-576.01(B), 5,967 acre-feet of Johnson Utilities projected use of groundwater, as a member service area of the CAGRD, is consistent with achieving the management goal of the Phoenix Active Management Area.
- 4. In accordance with A.A.C. R12-15-706, Johnson Utilities proposed use of water is consistent with the Phoenix Active Management Area Third Management Plan requirements.
- 5. Johnson Utilities satisfies the financial capability criteria prescribed in A.A.C. R12-15-707.
- 6. Johnson Utilities satisfied all the requirements for a designation of an assured water supply.

Having reviewed the Conclusions of Law, the Department hereby issues this Order designating Johnson Utilities as having an assured water supply, subject to the following conditions:

- The Department reserves the right under A.A.C. R12-15-709 (A) to periodically review and modify this designation as conditions warrant.
- Pursuant to A.A.C. R12-15-709, the Department may, at any time, review, modify or
  revoke this designation if the findings of fact or the conclusions of law upon which the
  designation are based change or are invalid.

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- 3. The Department's determination that an assured water supply exists for Johnson Utilities is based on its analysis of the groundwater supplies pledged by Johnson Utilities.
- 4. Pursuant to A.A.C. R12-15-704, Johnson Utilities shall satisfy any state water quality requirements established for its proposed use after the date of this designation.
- 5. Johnson Utilities shall annually provide to the Department the following information in the manner prescribed in A.A.C. R12-15-711:
  - a. The estimated future demand of platted, undeveloped lots located in Johnson
     Utilities' service area.
  - b. The projected demand at build-out for customers with which Johnson Utilities has entered into a notice of intent to serve agreement in the calendar year.
  - c. A report regarding Johnson Utilities' compliance with water quality requirements.
  - d. The depth-to-static water level of all wells from which Johnson Utilities withdrew water during the calendar year.
  - e. Any other information requested by the Director to determine whether Johnson Utilities is continuing to meet all the requirements necessary to maintain this designation of assured water supply.

IT IS HEREBY ORDERED THAT JOHNSON UTILITIES BE DESIGNATED AS HAVING AN ASSURED WATER SUPPLY:

DATED this 12 day of August, 2003.

Herb R. Guenther Director

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#### Request for Utility Services

October 16, 2006

Johnson Utilities 5230 E. Shea Boulevard Scottsdale, AZ 85254 Attn: Brian P. Tompsett

RE: Skyview Farms

Dear Brian.

As you are aware, Skyview Farms consists of appx 1863+/- acres and is located on Arizona Farms Rd. appx two miles West of Highway 79. The ownership of Skyview Farms is very much interested in obtaining Water, Wastewater, and Reclaimed Water services from Johnson Utilities. We recognize that no binding obligations for services can be made until such time as the Skyview Farms' ownership enters into a Master Utility Agreement with Johnson Utilities. We look forward to the time when these documents are completed.

Sincerely,

Kent Pace Skyview Farms

3850 E. Baseline Rd. Ste.114

Mesa, AZ 85206

480-892-7104 ext.104

fax 480-892-5923